



CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2005

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

|  |  |  |                      |
|--|--|--|----------------------|
| <b>Local Government Type</b><br><input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |  | <b>Local Government Name</b><br>Charter Township of Hampton            | <b>County</b><br>Bay |
| <b>Audit Date</b><br>December 31, 2005   | <b>Opinion Date</b><br>February 10, 2006 | <b>Date Accountant Report Submitted to State:</b><br>February 10, 2006 |                      |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |  |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).   |

| We have enclosed the following:   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | X        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | X            |
| Single Audit Reports (ASLGU).   |          |                 | X            |

|  |                         |                    |                     |
|--|-------------------------|--------------------|---------------------|
| <b>Certified Public Accountant (Firm Name)</b><br>Campbell, Kusterer & Co., P.C. |                         |                    |                     |
| <b>Street Address</b><br>512 N. Lincoln, Suite 100, P.O. Box 686                 | <b>City</b><br>Bay City | <b>State</b><br>MI | <b>Zip</b><br>48707 |
| <b>Accountant Signature</b><br>Campbell, Kusterer & Co., P.C.                    |                         |                    |                     |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

TABLE OF CONTENTS

|   |                  |
|---|------------------|
| Independent Auditors' Report  | <u>Page</u><br>1 |
| Management's Discussion and Analysis  | 2-3              |
| Basic Financial Statements:   |                  |
| Government-wide Financial Statements:   |                  |
| Government-wide Statement of Net Assets   | 4                |
| Government-wide Statement of Activities   | 5                |
| Fund Financial Statements:  |                  |
| Governmental Funds:   |                  |
| Balance Sheet   | 6                |
| Reconciliation of Balance Sheet of Governmental Funds to the Statement of<br>Net Assets   | 7                |
| Statement of Revenues, Expenditures, and Changes in Fund Balances   | 8-9              |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes<br>in Fund Balances of Governmental Funds to the Statement of Activities | 10               |
| Notes to Financial Statements   | 11-18            |
| Required Supplemental Information:  |                  |
| Budgetary Comparison Schedule – General Fund  | 19-20            |
| Budgetary Comparison Schedule – Downtown Development Authority Fund   | 21               |
| Other Supporting Information:   |                  |
| General Fund Revenues by Detailed Account   | 22               |
| General Fund Expenditures by Detailed Account   | 23-28            |
| Combining Balance Sheet – All Special Revenue Funds   | 29               |
| Combining Statement of Revenues, Expenditures and Changes in Fund<br>Balances – All Special Revenue Funds                                       | 30               |
| Balance Sheet – Rosemary Court Debt Service Fund  | 31               |
| Statement of Revenues, Expenditures and Changes in Fund Balance –<br>Rosemary Court Debt Service Fund   | 32               |
| Combining Balance Sheet – All Agency Funds  | 33               |
| Combining Statement of Changes in Assets and Liabilities – All Agency Funds   | 34               |
| Current Tax Collection Fund Schedule of Cash Receipts and Disbursements   | 35               |
| Agency Fund Schedule of Cash Receipts and Disbursements   | 36               |

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## INDEPENDENT AUDITOR'S REPORT

February 10, 2006

To the Township Board  
Charter Township of Hampton  
Bay County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Charter Township of Hampton, Bay County, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Hampton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter Township of Hampton, Bay County, Michigan as of December 31, 2005, and the respective changes in financial position, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2005

The Management's Discussion and Analysis report for the Charter Township of Hampton covers the Township's financial performance during the year ended December 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained approximately the same over the last year. Net assets at 12/31/2005 totaled \$3,545,052.00 for all funds. Overall total net assets increased by \$104,654.59 for the year 2005.

General Fund revenues were \$3,715,526.69 and General Fund expenditures were \$3,721,583.25.

Taxable value was \$425,515,002.00.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenditures regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has Governmental Funds. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year the Township blacktopped three and a quarter (3 ¼) miles of roadway at a cost of \$227,376.54 with a specially voted millage. The Township recognized \$37,300.00 of a \$47,292.00 Federal grant for the purchase of Fire Department radios, pagers and turnout gear. The Township purchased a total of \$57,781.30 worth of equipment for the Township and continued to upgrade our campground at the Finn Road Park with General Fund millage.

Our external debt for the Rosemary Court General Obligation Limited Tax Bonds has one payment remaining in the amount of \$14,195.25.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township services with the exception of the blacktopping of the roads. The most significant costs to the Township are the Department of Public Works (which consists of our parks, landfill, water and sewer departments), the Police Department and the Fire Department.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$57,781.30 in capital assets.

The Township's governmental activities paid off \$104,279.32 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is much clouded and it represents a significant portion of our income. We continue to grow in taxable value with no demand for infrastructure.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Supervisor, Township Treasurer or Township Clerk at 989-893-7541 or e-mail us through our website at [www.hamptontownship.org](http://www.hamptontownship.org).

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
December 31, 2005

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| ASSETS:   |                                    |
| CURRENT ASSETS:                                 |                                    |
| Cash in bank                                    |                                    |
| Cash on hand                                    | 1 304 373 72                       |
| Investments                                     | 565 00                             |
| Taxes receivable                                | 1 384 369 62                       |
| Accounts receivable                             | 2 077 852 42                       |
| Special assessments receivable                  | 305 874 94                         |
|   | <u>13 833 35</u>                   |
| Total Current Assets                            | <u>5 086 869 05</u>                |
| NON-CURRENT ASSETS:                             |                                    |
| Capital Assets                                  | 4 667 706 94                       |
| Less: Accumulated Depreciation                  | <u>(2 633 666 31)</u>              |
| Total Non-current Assets                        | <u>2 034 040 63</u>                |
| TOTAL ASSETS                                    | <u><u>7 120 909 68</u></u>         |
| LIABILITIES AND NET ASSETS:                     |                                    |
| LIABILITIES:                                    |                                    |
| CURRENT LIABILITIES:                            |                                    |
| Accounts payable                                | 570 605 70                         |
| Deposits  | 38 325 36                          |
| Deferred revenue                                | <u>2 823 302 34</u>                |
| Total Current Liabilities                       | <u>3 432 233 40</u>                |
| NON-CURRENT LIABILITIES:                        |                                    |
| Bonds payable                                   | 13 500 00                          |
| Accrued compensated absences                    | <u>130 124 28</u>                  |
| Total Non-current Liabilities                   | <u>143 624 28</u>                  |
| Total Liabilities                               | <u>3 575 857 68</u>                |
| NET ASSETS:                                     |                                    |
| Invested in Capital Assets, Net of Related Debt | 2 004 040 63                       |
| Restricted                                      | 105 61                             |
| Unrestricted                                    | <u>1 540 905 76</u>                |
| Total Net Assets                                | <u>3 545 052 00</u>                |
| TOTAL LIABILITIES AND NET ASSETS                | <u><u>7 120 909 68</u></u>         |

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended December 31, 2005

| FUNCTIONS/PROGRAMS            | <u>Expenses</u>     | <u>Program Revenue</u>          |   | <u>Governmental Activities<br/>Net (Expense)<br/>Revenue and<br/>Changes in<br/>Net Assets</u> |
|-------------------------------|---------------------|---------------------------------|---|--|
|                               |                     | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants -<br/>Contributions</u> |  |
| Governmental Activities:      |                     |                                 |   |  |
| Legislative                   | 77 059 89           | -                               | -   | (77 059 89)  |
| General government            | 633 130 11          | 102 484 68                      | -   | (530 645 43)   |
| Public safety                 | 1 752 280 13        | 134 395 65                      | 37 300 00                                       | (1 580 584 48)   |
| Public works                  | 1 308 133 18        | 332 019 60                      | -   | (976 113 58)   |
| Recreation and culture        | 58 957 29           | 61 401 90                       | -   | 2 444 61   |
| Other                         | 348 999 00          | -                               | -   | (348 999 00)   |
| Interest on long-term debt    | 2 670 97            | -                               | -   | (2 670 97)   |
| Total Governmental Activities | <u>4 181 230 57</u> | <u>630 301 83</u>               | <u>37 300 00</u>                                | <u>(3 513 628 74)</u>  |
| General Revenues:             |                     |                                 |   |  |
| Property taxes                |                     |                                 |   | 2 706 041 45   |
| State revenue sharing         |                     |                                 |   | 737 739 72   |
| Interest                      |                     |                                 |   | 97 872 60  |
| Miscellaneous                 |                     |                                 |   | <u>76 629 56</u>   |
| Total General Revenues        |                     |                                 |   | <u>3 618 283 33</u>  |
| Change in net assets          |                     |                                 |   | 104 654 59   |
| Net assets, beginning of year |                     |                                 |   | <u>3 440 397 41</u>  |
| Net Assets, End of Year       |                     |                                 |   | <u>3 545 052 00</u>  |

The accompanying notes are an integral part of these financial statements.



CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

BALANCE SHEET - GOVERNMENTAL FUNDS  
December 31, 2005

| <u>Assets</u>                             | <u>General</u>      | <u>Downtown<br/>Development<br/>Authority</u> | <u>Other<br/>Funds</u> | <u>Total</u>        |
|---|---------------------|---|------------------------|---------------------|
| Cash in bank                              | 622 899 05          | 584 675 12                                    | 92 799 45              | 1 300 373 62        |
| Cash on hand                              | 565 00              | -   | -                      | 565 00              |
| Investments                               | 604 628 82          | 195 007 64                                    | 211 949 52             | 1 011 585 98        |
| Accounts receivable                       | 305 874 94          | -   | -                      | 305 874 94          |
| Due from other funds                      | 2 240 117 64        | 112 381 83                                    | 272 393 65             | 2 624 893 12        |
| Special assessments receivable            | -                   | -   | 13 833 35              | 13 833 35           |
| Total Assets                              | <u>3 774 085 45</u> | <u>892 064 59</u>                             | <u>590 975 97</u>      | <u>5 257 126 01</u> |
| <u>Liabilities and Fund Equity</u>        |                     |   |                        |                     |
| Liabilities:                              |                     |   |                        |                     |
| Accounts payable                          | 542 914 73          | 27 690 97                                     | -                      | 570 605 70          |
| Deposits                                  | 38 325 36           | -   | -                      | 38 325 36           |
| Due to other funds                        | -                   | -   | 170 256 96             | 170 256 96          |
| Deferred revenue - water                  | 104 831 45          | -   | -                      | 104 831 45          |
| Deferred revenue -<br>property taxes      | 2 284 500 37        | 133 224 21                                    | 286 912 96             | 2 704 637 54        |
| Deferred revenue -<br>special assessments | -                   | -   | 13 833 35              | 13 833 35           |
| Total liabilities                         | <u>2 970 571 91</u> | <u>160 915 18</u>                             | <u>471 003 27</u>      | <u>3 602 490 36</u> |
| Fund equity:                              |                     |   |                        |                     |
| Fund balances:                            |                     |   |                        |                     |
| Reserved for debt service                 | -                   | -   | 105 61                 | 105 61              |
| Unreserved:                               |                     |   |                        |                     |
| Undesignated                              | 803 513 54          | 731 149 41                                    | 119 867 09             | 1 654 530 04        |
| Total fund equity                         | <u>803 513 54</u>   | <u>731 149 41</u>                             | <u>119 972 70</u>      | <u>1 654 635 65</u> |
| Total Liabilities and Fund Equity         | <u>3 774 085 45</u> | <u>892 064 59</u>                             | <u>590 975 97</u>      | <u>5 257 126 01</u> |

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
December 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS

1 654 635 65

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost  
Accumulated depreciation

4 667 706 94  
(2 633 666 31)

Long-term debt liabilities are not due and payable in the current period and  
therefore are not reported in the governmental funds:

Bonds payable  
Accrued compensated absences

(13 500 00)  
(130 124 28)

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES

3 545 052 00

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended December 31, 2005

|                               | General      | Downtown<br>Development<br>Authority | Other<br>Funds | Total        |
|-------------------------------|--------------|--------------------------------------|----------------|--------------|
| Revenues:                     |              |                                      |                |              |
| Property taxes                | 2 300 497 06 | 133 221 75                           | 272 322 64     | 2 706 041 45 |
| Licenses and permits          | 98 302 64    | -                                    | 134 395 65     | 232 698 29   |
| Federal grant                 | 37 300 00    | -                                    | -              | 37 300 00    |
| State revenue sharing         | 737 739 72   | -                                    | -              | 737 739 72   |
| Charges for services          | 317 785 16   | -                                    | -              | 317 785 16   |
| Interest                      | 81 688 61    | 10 568 95                            | 5 615 04       | 97 872 60    |
| Special assessments           | -            | -                                    | 14 234 44      | 14 234 44    |
| Miscellaneous                 | 142 213 50   | -                                    | -              | 142 213 50   |
| Total revenues                | 3 715 526 69 | 143 790 70                           | 426 567 77     | 4 285 885 16 |
| Expenditures:                 |              |                                      |                |              |
| Legislative:                  |              |                                      |                |              |
| Township Board                | 77 059 89    | -                                    | -              | 77 059 89    |
| General government:           |              |                                      |                |              |
| Supervisor                    | 59 523 07    | -                                    | -              | 59 523 07    |
| Elections                     | 2 513 17     | -                                    | -              | 2 513 17     |
| Accounting department         | 161 503 05   | -                                    | -              | 161 503 05   |
| Assessor                      | 141 375 27   | -                                    | -              | 141 375 27   |
| Attorney                      | 27 099 21    | -                                    | -              | 27 099 21    |
| Consultant                    | 14 116 61    | -                                    | -              | 14 116 61    |
| Clerk                         | 73 803 34    | -                                    | -              | 73 803 34    |
| Geographic information system | 607 23       | -                                    | -              | 607 23       |
| Board of Review               | 1 412 27     | -                                    | -              | 1 412 27     |
| Treasurer                     | 57 376 48    | -                                    | -              | 57 376 48    |
| Township hall and grounds     | 30 039 13    | -                                    | -              | 30 039 13    |
| Citizens community building   | 36 767 85    | -                                    | -              | 36 767 85    |
| Public relations              | 1 860 76     | -                                    | -              | 1 860 76     |
| Public safety:                |              |                                      |                |              |
| Police department             | 803 936 43   | -                                    | -              | 803 936 43   |
| Fire department               | 704 397 90   | -                                    | -              | 704 397 90   |
| Building inspection           | -            | -                                    | 146 851 07     | 146 851 07   |
| Planning Commission           | 10 902 53    | -                                    | -              | 10 902 53    |
| Board of Appeals              | 3 732 74     | -                                    | -              | 3 732 74     |
| Public works:                 |              |                                      |                |              |
| Department of Public Works    | 532 389 84   | -                                    | -              | 532 389 84   |
| Drains                        | 24 198 62    | -                                    | -              | 24 198 62    |
| Highways and streets          | 33 934 10    | -                                    | 227 376 54     | 261 310 64   |
| Engineering                   | 39 332 55    | -                                    | -              | 39 332 55    |
| Street lighting               | 92 179 68    | -                                    | -              | 92 179 68    |
| Sanitation                    | 114 329 84   | -                                    | -              | 114 329 84   |
| Sewer                         | 112 941 36   | -                                    | -              | 112 941 36   |
| Water                         | 98 257 01    | -                                    | -              | 98 257 01    |

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
Year ended December 31, 2005

|  | <u>General</u>           | <u>Downtown<br/>Development<br/>Authority</u> | <u>Other<br/>Funds</u>   | <u>Total</u>               |
|--|--------------------------|---|--------------------------|----------------------------|
| Recreation and culture:                              |                          |   |                          |                            |
| Recreation - parks                                   | 27 486 02                | -   | -                        | 27 486 02                  |
| Recreation - parks - other                           | 6 274 20                 | -   | -                        | 6 274 20                   |
| Rail Trail   | 1 068 07                 | -   | -                        | 1 068 07                   |
| Other functions:                                     |                          |   |                          |                            |
| Downtown Development<br>Authority                    | -                        | 68 232 16                                     | -                        | 68 232 16                  |
| Insurance  | 118 006 44               | -   | -                        | 118 006 44                 |
| Retirement benefits                                  | 162 760 40               | -   | -                        | 162 760 40                 |
| Capital outlay                                       | 57 781 30                | -   | -                        | 57 781 30                  |
| Debt service   | 92 616 89                | -   | 14 333 40                | 106 950 29                 |
| Total expenditures                                   | <u>3 721 583 25</u>      | <u>68 232 16</u>                              | <u>388 561 01</u>        | <u>4 178 376 42</u>        |
| Excess (deficiency) of revenues<br>over expenditures | (6 056 56)               | 75 558 54                                     | 38 006 76                | 107 508 74                 |
| Fund balances, January 1                             | <u>809 570 10</u>        | <u>655 590 87</u>                             | <u>81 965 94</u>         | <u>1 547 126 91</u>        |
| Fund Balances, December 31                           | <u><u>803 513 54</u></u> | <u><u>731 149 41</u></u>                      | <u><u>119 972 70</u></u> | <u><u>1 654 635 65</u></u> |

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year ended December 31, 2005

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 107 508 74

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

|                      |              |
|----------------------|--------------|
| Depreciation Expense | (164 914 77) |
| Capital Outlay       | 57 781 30    |

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

|                                      |           |
|--------------------------------------|-----------|
| Principal payments on long-term debt |           |
| Bonds payable                        | 13 000 00 |
| Contracts payable                    | 47 865 23 |
| Accrued compensated absences         | 43 414 09 |

|   |                   |
|---|-------------------|
| CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES | <u>104 654 59</u> |
|---|-------------------|

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Hampton, Bay County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds and component units that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Charter Township of Hampton. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General and Special Revenue Funds

The General Fund, the Road Fund, the Downtown Development Authority Fund and the Building Department Fund, receive and account for the monies collected to provide the general governmental services of the Township. The General Fund is used to account for all transactions not properly accounted for in any other fund. The Road Fund accounts for property taxes levied for the Township road maintenance. The Downtown Development Authority is a separate component unit that is an integral part of the Charter Township of Hampton and it is therefore reported under the blending method as a special revenue fund that was established pursuant to Act 197 of the Public Acts of 1975, to promote economic growth within the Township. The Building Department Fund accounts for building permits and the related expenses.

Debt Service Funds

The Rosemary Court Debt Service Fund was established to collect special assessments levied to meet the payments of the debts. Special assessments are levied each year in sufficient amounts to meet the required payments and are deposited in the funds as collected. Subsequently, the principal and interest payments are made when due. Interest earned on temporary investment of these monies is retained within the fund to reduce further special assessment requirements.

Agency Funds

The Current Tax Collection Fund and the Agency Fund have been established to account for monies which are held by the Township as agent for other governmental entities, funds or individuals. The Current Tax Collection Fund receives tax collections and disburses the amount collected to the proper fund or governmental entity. The Agency Fund receives delinquent property taxes and mobile home court fees and disburses these to the proper fund or governmental entity. These funds do not have revenues, expenditures or fund balances because by their nature their assets always equal their liabilities.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

All purchases of materials are reflected in expenses when paid in all funds.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2004 tax roll millage rate was 5.65 mills, and the taxable value was \$425,515,002.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

|                            |             |
|----------------------------|-------------|
| Buildings and improvements | 15-50 years |
| Vehicles and equipment     | 3-25 years  |

Compensated Absences (Vacation and Sick Leave)

The estimated current portion of the liability for vacation and sick leave benefits attributable to the Township's governmental funds is recorded as an expenditure and liability in the respective funds. Employees may accumulate an unlimited number of days of vacation leave and are paid for unused sick leave upon termination of employment.

Post-employment Benefits

The Township provides health care benefits to retirees in accordance with labor contracts. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. These benefits are paid from the General Fund and were \$162,760.40 during the year ended December 31, 2005.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated eleven banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

|                | <u>Carrying<br/>Amounts</u> |
|----------------|-----------------------------|
| Total Deposits | <u>1 304 373 72</u>         |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

Note 3 – Deposits and Investments (continued)

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

|                                | <u>Bank<br/>Balances</u>   |
|--------------------------------|----------------------------|
| Insured (FDIC)                 | 705 000 10                 |
| Uninsured and Uncollateralized | <u>608 066 38</u>          |
| Total Deposits                 | <u><u>1 313 066 48</u></u> |

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

| <u>Investment Type</u>   | <u>(1)</u>      | <u>(2)</u>      | <u>(3)</u>      | <u>Carrying<br/>Amount</u> |
|--|-----------------|-----------------|-----------------|----------------------------|
| Risk-Categorized:<br>Operating Funds                           | <u>-</u>        | <u>-</u>        | <u>-</u>        | <u>-</u>                   |
| Total Risk-Categorized<br>Investments                          | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u>-</u>                   |
| Non-risk-Categorized:<br>Financial Institution<br>Pooled Funds |                 |                 |                 | <u>1 968 157 58</u>        |
| Total Investments  |                 |                 |                 | <u><u>1 968 157 58</u></u> |

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**Note 4 – Capital Assets**

Capital asset activity of the Township's Governmental activities for the current year was as follows:

|                                 | Balance<br>1/1/05 | Additions    | Deletions   | Balance<br>12/31/05 |
|---------------------------------|-------------------|--------------|-------------|---------------------|
| <u>Governmental Activities:</u> |                   |              |             |                     |
| Land and improvements           | 1 283 195 20      | -            | -           | 1 283 195 20        |
| Buildings and improvements      | 974 162 00        | -            | -           | 974 162 00          |
| Vehicles and equipment          | 2 387 568 44      | 57 781 30    | 35 000 00   | 2 410 349 74        |
| Total                           | 4 644 925 64      | 57 781 30    | 35 000 00   | 4 667 706 94        |
| Accumulated Depreciation        | (2 503 751 54)    | (164 914 77) | (35 000 00) | (2 633 666 31)      |
| Net Capital Assets              | 2 141 174 10      | (107 133 47) | -           | 2 034 040 63        |

**Note 5 – Interfund Receivables and Payables**

The amounts of interfund receivables and payables are as follows:

| <u>Fund</u>                       | <u>Interfund<br/>Receivable</u> | <u>Fund</u>            | <u>Interfund<br/>Payable</u> |
|-----------------------------------|---------------------------------|------------------------|------------------------------|
| General                           | 2 240 117 64                    | Building               | 170 256 96                   |
|                                   |                                 | Agency                 | 4 000 10                     |
|                                   |                                 | Current Tax Collection | 2 065 860 58                 |
|                                   | 2 240 117 64                    |                        | 2 240 117 64                 |
| Downtown Development<br>Authority | 112 381 83                      | Current Tax Collection | 112 381 83                   |
| Road                              | 257 719 44                      | Current Tax Collection | 257 719 44                   |
| Rosemary Court Debt<br>Service    | 14 674 21                       | Current Tax Collection | 14 674 21                    |
| Total                             | 2 624 893 12                    | Total                  | 2 624 893 12                 |

**Note 6 – Changes in Long-Term Debt**

A summary of changes in long-term debt follows:

|  | Balance<br>1/1/05 | Additions | Deductions | Balance<br>12/31/05 |
|--|-------------------|-----------|------------|---------------------|
| Rosemary Court general<br>obligation limited tax bonds | 26 500 00         | -         | 13 000 00  | 13 500 00           |
| Contracts payable:                                     |                   |           |            |                     |
| Land   | 7 865 23          | -         | 7 865 23   | -                   |
| Fire truck   | 40 000 00         | -         | 40 000 00  | -                   |
| Accumulated vacation and<br>sick pay                   | 173 538 37        | -         | 43 414 09  | 130 124 28          |
| Total  | 247 903 60        | -         | 104 279 32 | 143 624 28          |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

Note 7 – Rosemary Court General Obligation Limited Tax Bonds

On October 2, 1996, the Charter Township of Hampton issued \$151,860.00 of bonds for the purpose of constructing street improvements, storm sewer, sanitary sewer and a water main along Rosemary Court. The entire cost of the principal and interest on the bonds has been assessed against the individual properties through the Rosemary Court special assessment district. The following is a schedule of the outstanding principal and interest on the bonds.

| <u>Due<br/>Date</u> | <u>Interest<br/>Rate</u> | <u>Interest<br/>Amount</u> | <u>Principal<br/>Amount</u> | <u>Total<br/>Amount</u> |
|---------------------|--------------------------|----------------------------|-----------------------------|-------------------------|
| 4/1/06              | 5.15                     | 695 25                     | 13 500 00                   | 14 195 25               |
| Totals              |                          | 695 25                     | 13 500 00                   | 14 195 25               |

Note 8 – Contracts Payable

Contract Payable – Land: During 1999, the Township purchased land with a bank loan in the amount of \$45,000.00. Monthly payments of \$735.20 including interest at 5.50% were due through November, 2005.

Contract Payable – Fire Truck: On April 10, 2000, the Township obtained a \$189,000.00 loan to partially fund the purchase of a fire truck. Semi-annual payments were due through March 1, 2005, including interest at the rate of 5.6% per annum.

Note 9 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 10 – Retirement Plan

The Township has a defined contribution pension plan that covers all Township Board members and full-time employees of the Township. The Township's current year covered payroll was \$1,655,493.02 and its total current year payroll for all employees was \$1,823,562.52. The plan was established under Act 27, P.A. 1960 and Township ordinances 24 and 24.1. All full-time employees who work over 30 hours per week plus Township Board members are covered under the plan. The Township contributes 10% to 15% of each employee's compensation and the employee can contribute additional amounts. All participants covered are immediately vested. The Township's contribution requirement for the year ended December 31, 2005, was \$227,777.84 which was entirely paid during the year. This contribution represents 13.76% of the current year covered payroll. Employee contributions for the year ended December 31, 2005, were \$107,409.11 which was entirely paid during the year. This represents 6.49% of the current year covered payroll.

Note 11 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

Note 12 – Reserved Fund Balances

The fund balance in the Debt Service Fund includes a reservation for the retirement of long-term debt.

Note 13 – Building Permits

As of December 31, 2005, the Township had building permit revenues of \$139,078.81 and building permit expenses of \$146,851.07.

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended December 31, 2005

|                               | Original<br>Budget | Final<br>Budget | Actual       | Variance with<br>Final Budget<br>Over<br>(Under) |
|-------------------------------|--------------------|-----------------|--------------|--|
| Revenues:                     |                    |                 |              |  |
| Property taxes                | 2 284 672 00       | 2 284 672 00    | 2 300 497 06 | 15 825 06  |
| Licenses and permits          | 84 000 00          | 84 000 00       | 98 302 64    | 14 302 64  |
| Federal grant                 | 1 000 00           | 1 000 00        | 37 300 00    | 36 300 00  |
| State revenue sharing         | 712 000 00         | 712 000 00      | 737 739 72   | 25 739 72  |
| Charges for services          | 347 869 00         | 389 382 00      | 317 785 16   | (71 596 84)                                      |
| Interest                      | 27 600 00          | 27 600 00       | 81 688 61    | 54 088 61  |
| Miscellaneous                 | 113 832 00         | 155 628 00      | 142 213 50   | (13 414 50)                                      |
| Total revenues                | 3 570 973 00       | 3 654 282 00    | 3 715 526 69 | 61 244 69  |
| Expenditures:                 |                    |                 |              |  |
| Legislative:                  |                    |                 |              |  |
| Township Board                | 80 104 00          | 80 104 00       | 77 059 89    | (3 044 11)                                       |
| General government:           |                    |                 |              |  |
| Supervisor                    | 46 784 00          | 61 135 00       | 59 523 07    | (1 611 93)                                       |
| Elections                     | 5 100 00           | 5 100 00        | 2 513 17     | (2 586 83)                                       |
| Accounting department         | 140 545 00         | 164 938 00      | 161 503 05   | (3 434 95)                                       |
| Assessor                      | 155 620 00         | 155 620 00      | 141 375 27   | (14 244 73)                                      |
| Attorney                      | 50 000 00          | 50 000 00       | 27 099 21    | (22 900 79)                                      |
| Consultant                    | 25 000 00          | 25 000 00       | 14 116 61    | (10 883 39)                                      |
| Clerk                         | 57 662 00          | 75 132 00       | 73 803 34    | (1 328 66)                                       |
| Geographic information system | 3 600 00           | 3 600 00        | 607 23       | (2 992 77)                                       |
| Board of Review               | 1 825 00           | 1 825 00        | 1 412 27     | (412 73)   |
| Treasurer                     | 47 410 00          | 61 828 00       | 57 376 48    | (4 451 52)                                       |
| Township hall and grounds     | 42 473 00          | 42 473 00       | 30 039 13    | (12 433 87)                                      |
| Citizens community building   | 45 218 00          | 45 218 00       | 36 767 85    | (8 450 15)                                       |
| Public relations              | 3 900 00           | 2 400 00        | 1 860 76     | (539 24)   |
| Public safety:                |                    |                 |              |  |
| Police department             | 872 790 00         | 853 790 00      | 803 936 43   | (49 853 57)                                      |
| Fire department               | 726 365 00         | 704 432 00      | 704 397 90   | (34 10)  |
| Planning Commission           | 14 420 00          | 14 420 00       | 10 902 53    | (3 517 47)                                       |
| Board of Appeals              | 7 100 00           | 7 100 00        | 3 732 74     | (3 367 26)                                       |
| Public works:                 |                    |                 |              |  |
| Department of Public Works    | 578 120 00         | 594 535 00      | 532 389 84   | (62 145 16)                                      |
| Drains                        | 66 000 00          | 65 000 00       | 24 198 62    | (40 801 38)                                      |
| Highways and streets          | 25 000 00          | 35 735 00       | 33 934 10    | (1 800 90)                                       |
| Engineering                   | 15 000 00          | 40 000 00       | 39 332 55    | (667 45)   |
| Street lighting               | 96 000 00          | 96 000 00       | 92 179 68    | (3 820 32)                                       |
| Sanitation                    | 129 972 00         | 114 972 00      | 114 329 84   | (642 16)   |
| Sewer                         | 128 125 00         | 133 125 00      | 112 941 36   | (20 183 64)                                      |
| Water                         | 186 311 00         | 180 254 00      | 98 257 01    | (81 996 99)                                      |
| Economic development          | 1 000 00           | 1 000 00        | -            | (1 000 00)                                       |
| Recreation and culture:       |                    |                 |              |  |
| Recreation – parks            | 44 450 00          | 44 450 00       | 27 486 02    | (16 963 98)                                      |
| Recreation – parks – other    | 12 300 00          | 12 300 00       | 6 274 20     | (6 025 80)                                       |
| Rail Trail                    | 2 600 00           | 2 600 00        | 1 068 07     | (1 531 93)                                       |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
Year ended December 31, 2005

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>       | <u>Variance with<br/>Final Budget<br/>Over<br/>(Under)</u> |
|--|----------------------------|-------------------------|---------------------|--|
| Expenditures: (continued)                            |                            |                         |                     |  |
| Other functions:                                     |                            |                         |                     |  |
| Insurance  | 121 000 00                 | 121 000 00              | 118 006 44          | (2 993 56)   |
| Retirement benefits                                  | 166 750 00                 | 166 750 00              | 162 760 40          | (3 989 60)   |
| Contingency  | 274 193 00                 | 321 721 00              | -                   | (321 721 00)   |
| Capital outlay                                       | 175 000 00                 | 86 658 00               | 57 781 30           | (28 876 70)  |
| Debt service   | 50 788 00                  | 93 458 00               | 92 616 89           | (841 11)   |
| Total expenditures                                   | <u>4 398 525 00</u>        | <u>4 463 673 00</u>     | <u>3 721 583 25</u> | <u>(742 089 75)</u>  |
| Excess (deficiency) of revenues<br>over expenditures | (827 552 00)               | (809 391 00)            | (6 056 56)          | 803 334 44   |
| Fund balances, January 1                             | <u>840 452 00</u>          | <u>809 391 00</u>       | <u>809 391 07</u>   | <u>07</u>  |
| Fund Balances, December 31                           | <u>12 900 00</u>           | <u>-</u>                | <u>803 334 51</u>   | <u>803 334 51</u>  |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

BUDGETARY COMPARISON SCHEDULE – DOWNTOWN DEVELOPMENT AUTHORITY FUND  
Year ended December 31, 2005

|  | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Over<br/>(Under)</u> |
|--|----------------------------|-------------------------|-------------------|--|
| Revenues:  |                            |                         |                   |  |
| Property taxes                                       | 130 000 00                 | 130 000 00              | 133 221 75        | 3 221 75   |
| Interest   | <u>1 000 00</u>            | <u>1 000 00</u>         | <u>10 568 95</u>  | <u>9 568 95</u>  |
| Total revenues                                       | <u>131 000 00</u>          | <u>131 000 00</u>       | <u>143 790 70</u> | <u>12 790 70</u>   |
| Expenditures:  |                            |                         |                   |  |
| Other functions:                                     |                            |                         |                   |  |
| Downtown Development<br>Authority                    | 114 400 00                 | 114 400 00              | 68 232 16         | (46 167 84)  |
| Capital outlay                                       | <u>630 902 00</u>          | <u>630 902 00</u>       | <u>-</u>          | <u>(630 902 00)</u>  |
| Total expenditures                                   | <u>745 302 00</u>          | <u>745 302 00</u>       | <u>68 232 16</u>  | <u>(677 069 84)</u>  |
| Excess (deficiency) of revenues<br>over expenditures | (614 302 00)               | (614 302 00)            | 75 558 54         | 689 860 54   |
| Fund balance, January 1                              | <u>614 302 00</u>          | <u>614 302 00</u>       | <u>655 590 87</u> | <u>41 288 87</u>   |
| Fund Balance, December 31                            | <u>-</u>                   | <u>-</u>                | <u>731 149 41</u> | <u>731 149 41</u>  |



CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND REVENUES BY DETAILED ACCOUNT  
Year ended December 31, 2005

|                                      |                            |
|--------------------------------------|----------------------------|
| Revenues:                            |                            |
| Property taxes:                      |                            |
| Current year's tax levy              | 2 086 095 76               |
| Administration fees                  | 203 428 24                 |
| P.I.L.O.T.                           | 10 973 06                  |
|                                      | <u>2 300 497 06</u>        |
| Licenses and permits:                |                            |
| Mobile home court fees               |                            |
| Cable T.V. fees                      | 2 224 50                   |
| Ordinance fees                       | 79 030 27                  |
| Other permits                        | 9 771 87                   |
|                                      | <u>7 276 00</u>            |
|                                      | <u>98 302 64</u>           |
| Federal grant                        |                            |
|                                      | <u>37 300 00</u>           |
| State revenue sharing:               |                            |
| Revenue sharing                      |                            |
| State grant                          | 727 976 60                 |
| Liquor license fees                  | 4 293 92                   |
|                                      | <u>5 469 20</u>            |
| Charges for services:                | <u>737 739 72</u>          |
| Frontage and tap on fees             |                            |
| Service charges on billings          | 115 254 00                 |
| Sales - bulk water                   | 105 123 56                 |
| Charges for services - sewer         | 2 118 35                   |
| Charges for services - miscellaneous | 67 679 93                  |
| Charges for other units              | 6 905 32                   |
|                                      | <u>20 704 00</u>           |
|                                      | <u>317 785 16</u>          |
| Interest                             |                            |
|                                      | <u>81 688 61</u>           |
| Miscellaneous:                       |                            |
| Hall rental                          |                            |
| Park                                 | 4 182 04                   |
| Duplicating copies                   | 61 401 90                  |
| Royalties                            | 1 994 08                   |
| Other                                | 2 587 23                   |
|                                      | <u>72 048 25</u>           |
|                                      | <u>142 213 50</u>          |
| Total Revenues                       | <u><u>3 715 526 69</u></u> |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2005

Township Board:

|                              |                  |
|------------------------------|------------------|
| Trustee fees                 | 26 217 68        |
| Social security tax          | 2 005 48         |
| Group health insurance       | 17 565 16        |
| Group life insurance         | 597 71           |
| Retirement fund contribution | 3 932 64         |
| Miscellaneous                | 1 748 31         |
| Audit fees                   | 15 390 00        |
| Memberships and dues         | 5 388 34         |
| Printing and publishing      | 2 172 03         |
| Aid to schools               | 2 042 54         |
|                              | <u>77 059 89</u> |

Supervisor:

|                                 |                  |
|---------------------------------|------------------|
| Salaries                        | 45 706 71        |
| Social security tax             | 3 496 55         |
| Group health insurance          | 1 000 00         |
| Sickness and accident insurance | 490 56           |
| Memberships and dues            | 174 00           |
| Group life insurance            | 127 05           |
| Retirement fund contribution    | 6 603 92         |
| Travel and education            | 1 924 28         |
|                                 | <u>59 523 07</u> |

Elections:

|                 |                 |
|-----------------|-----------------|
| Salaries        | 1 641 64        |
| Office supplies | 871 53          |
|                 | <u>2 513 17</u> |

Accounting department:

|                                  |                   |
|----------------------------------|-------------------|
| Salaries                         | 82 115 55         |
| Social security tax              | 6 276 75          |
| Unemployment insurance           | 427 50            |
| Sick and accident insurance      | 1 223 30          |
| Group health insurance           | 25 164 37         |
| Group life insurance             | 331 20            |
| Retirement fund contribution     | 12 572 16         |
| Travel                           | 62 67             |
| Water and sewer rate arbitration | 259 88            |
| Office supplies                  | 9 427 75          |
| Telephone                        | 2 813 67          |
| Contracted services              | 19 012 28         |
| Repairs and maintenance          | 1 815 97          |
|                                  | <u>161 503 05</u> |

Assessor:

|                                 |           |
|---------------------------------|-----------|
| Salaries                        | 94 008 94 |
| Social security tax             | 7 191 66  |
| Unemployment insurance          | 256 51    |
| Group health insurance          | 13 131 07 |
| Sickness and accident insurance | 902 72    |
| Group life insurance            | 181 53    |
| Retirement fund contribution    | 13 602 70 |
| Office supplies                 | 1 006 12  |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2005

|                                 |                   |
|---------------------------------|-------------------|
| Assessor: (continued)           |                   |
| Contracted services             |                   |
| Education                       | 3 375 05          |
| Travel                          | 443 00            |
| Memberships and dues            | 841 30            |
| Tax roll preparation            | 2 218 35          |
| Miscellaneous                   | 4 210 50          |
|                                 | <u>5 82</u>       |
| Attorney:                       | <u>141 375 27</u> |
| Legal fees                      |                   |
|                                 | <u>27 099 21</u>  |
| Consultant:                     |                   |
| Professional fees               |                   |
|                                 | <u>14 116 61</u>  |
| Clerk:                          |                   |
| Salaries                        |                   |
| Social security tax             | 46 106 71         |
| Group health insurance          | 3 494 68          |
| Sickness and accident insurance | 14 511 84         |
| Group life insurance            | 656 50            |
| Retirement fund contribution    | 135 63            |
| Travel and education            | 6 957 07          |
| Memberships and dues            | 1 690 91          |
|                                 | <u>250 00</u>     |
| Geographic information system:  | <u>73 803 34</u>  |
| Supplies                        |                   |
| Contracted services             | 304 91            |
|                                 | <u>302 32</u>     |
| Board of Review:                | <u>607 23</u>     |
| Fees and per diem               |                   |
| Social security tax             | 930 00            |
| Miscellaneous                   | 71 16             |
|                                 | <u>411 11</u>     |
| Treasurer:                      | <u>1 412 27</u>   |
| Salaries                        |                   |
| Social security tax             | 46 106 71         |
| Sickness and accident insurance | 3 525 24          |
| Group life insurance            | 645 68            |
| Retirement fund contribution    | 170 46            |
| Memberships and dues            | 6 603 98          |
| Travel and education            | 130 00            |
| Miscellaneous                   | 169 00            |
|                                 | <u>25 41</u>      |
| Township hall and grounds:      | <u>57 376 48</u>  |
| Salaries                        |                   |
| Social security tax             | 11 383 05         |
| Unemployment insurance          | 865 21            |
| Operating supplies              | 109 59            |
| Equipment maintenance           | 1 725 33          |
| Utilities                       | 408 68            |
| Building maintenance            | 11 857 96         |
| Miscellaneous                   | 3 350 72          |
|                                 | <u>338 59</u>     |
|                                 | <u>30 039 13</u>  |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2005

Citizens community building:

|                                 |                  |
|---------------------------------|------------------|
| Salaries                        |                  |
| Social security tax             | 18 617 16        |
| Unemployment insurance          | 1 393 58         |
| Group health insurance          | 85 49            |
| Sickness and accident insurance | 6 161 60         |
| Life insurance                  | 272 35           |
| Retirement fund contribution    | 67 81            |
| Supplies                        | 2 778 54         |
| Equipment maintenance           | 646 20           |
| Utilities                       | 1 284 00         |
| Miscellaneous                   | 5 426 98         |
|                                 | <u>34 14</u>     |
|                                 | <u>36 767 85</u> |

Public relations:

Community promotion

1 860 76

Police department:

|                                 |                   |
|---------------------------------|-------------------|
| Salaries                        |                   |
| Social security tax             | 487 218 99        |
| Unemployment insurance          | 38 515 40         |
| Group health insurance          | 2 185 14          |
| Sickness and accident insurance | 125 109 81        |
| Group life insurance            | 6 298 89          |
| Retirement fund contribution    | 1 090 79          |
| Education                       | 68 118 53         |
| Operating supplies              | 4 601 08          |
| Contracted services             | 22 984 43         |
| Uniforms                        | 6 479 43          |
| Office supplies                 | 7 618 35          |
| Auto parts and maintenance      | 2 214 72          |
| Equipment maintenance           | 4 354 67          |
| Memberships and dues            | 4 359 66          |
| Telephone                       | 304 90            |
| Legal                           | 3 236 66          |
| Utilities                       | 9 136 36          |
| Building maintenance            | 5 527 24          |
| Miscellaneous                   | 1 322 61          |
|                                 | <u>3 258 77</u>   |
|                                 | <u>803 936 43</u> |

Fire department:

|                                 |            |
|---------------------------------|------------|
| Salaries - regular              |            |
| Salaries - part-time            | 384 576 72 |
| Social security tax             | 72 931 76  |
| Unemployment insurance          | 36 670 20  |
| Group health insurance          | 1 197 00   |
| Sickness and accident insurance | 84 805 34  |
| Group life insurance            | 4 464 00   |
| Retirement fund contribution    | 1 905 28   |
| Education                       | 49 022 46  |
| Uniforms                        | 1 107 54   |
| Supplies                        | 3 039 30   |
| Operating supplies              | 833 27     |
| Equipment maintenance           | 37 854 86  |
| Contracted services             | 9 082 14   |
|                                 | 866 84     |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2005

|                                 |                   |
|---------------------------------|-------------------|
| Fire department: (continued)    |                   |
| Memberships and dues            | 313 59            |
| Telephone                       | 3 442 27          |
| Travel                          | 2 591 00          |
| Utilities                       | 7 419 16          |
| Building maintenance            | 991 46            |
| Physicals                       | 841 00            |
| Miscellaneous                   | 442 71            |
|                                 | <u>704 397 90</u> |
| Planning Commission:            |                   |
| Fees and per diem               | 2 345 00          |
| Social security tax             | 179 44            |
| Office supplies                 | 393 03            |
| Memberships and dues            | 310 00            |
| Legal fees                      | 7 259 46          |
| Printing and publishing         | 415 60            |
|                                 | <u>10 902 53</u>  |
| Board of Appeals:               |                   |
| Fees and per diem               | 1 540 00          |
| Social security tax             | 117 86            |
| Office supplies                 | 119 88            |
| Legal fees                      | 1 565 00          |
| Memberships and dues            | 390 00            |
|                                 | <u>3 732 74</u>   |
| Department of Public Works:     |                   |
| Salaries                        | 295 998 86        |
| Social security tax             | 22 605 40         |
| Unemployment insurance          | 1 710 00          |
| Group health insurance          | 60 393 41         |
| Sickness and accident insurance | 3 785 03          |
| Group life insurance            | 950 85            |
| Retirement fund contribution    | 41 132 22         |
| Supplies                        | 63 456 01         |
| Uniforms                        | 810 00            |
| Contracted services             | 10 475 32         |
| Telephone                       | 2 251 27          |
| Utilities                       | 10 018 78         |
| Building maintenance            | 1 455 52          |
| Equipment maintenance           | 15 279 13         |
| Dike maintenance                | 688 85            |
| Miscellaneous                   | 1 379 19          |
|                                 | <u>532 389 84</u> |
| Drains:                         |                   |
| Supplies                        | 13 329 00         |
| Contracted services             | 10 869 62         |
|                                 | <u>24 198 62</u>  |
| Highways and streets:           |                   |
| Road maintenance                | 33 934 10         |
|                                 | <u>33 934 10</u>  |
| Engineering:                    |                   |
| Engineering fees                | 39 332 55         |
|                                 | <u>39 332 55</u>  |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2005

|                                 |            |
|---------------------------------|------------|
| Street lighting:                |            |
| Utilities                       | 92 179 68  |
| Sanitation:                     |            |
| Salaries                        |            |
| Social security tax             | 14 600 06  |
| Unemployment insurance          | 1 095 84   |
| Group health insurance          | 171 00     |
| Sickness and accident insurance | 15 432 10  |
| Life insurance                  | 210 34     |
| Supplies                        | 167 52     |
| Contracted services             | 421 71     |
| Telephone                       | 81 347 48  |
| Utilities                       | 255 97     |
| Repairs and maintenance         | 614 87     |
|                                 | 12 95      |
|                                 | 114 329 84 |
| Sewer:                          |            |
| Wages                           |            |
| Social security tax             | 38 303 15  |
| Group health insurance          | 2 927 10   |
| Sickness and accident insurance | 10 264 01  |
| Life insurance                  | 499 17     |
| Retirement fund contribution    | 120 15     |
| Supplies                        | 5 581 80   |
| Contracted services             | 5 680 63   |
| Utilities                       | 1 620 00   |
| Main maintenance                | 28 685 28  |
|                                 | 19 260 07  |
|                                 | 112 941 36 |
| Water:                          |            |
| Wages                           |            |
| Social security tax             | 44 794 17  |
| Group health insurance          | 3 423 06   |
| Sickness and accident insurance | 12 143 46  |
| Life insurance                  | 589 42     |
| Retirement fund contribution    | 124 11     |
| Repairs and maintenance         | 6 139 98   |
| Miscellaneous                   | 8 609 28   |
| Supplies                        | 4 000 00   |
| Contracted services             | 11 336 02  |
| Utilities                       | 5 078 41   |
|                                 | 2 019 10   |
|                                 | 98 257 01  |
| Recreation – parks:             |            |
| Salaries                        |            |
| Social security tax             | 5 200 00   |
| Unemployment insurance          | 397 80     |
| Supplies                        | 98 80      |
| Contracted services             | 5 241 04   |
| Utilities                       | 192 00     |
| Miscellaneous                   | 15 929 20  |
|                                 | 427 18     |
|                                 | 27 486 02  |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2005

|                             |                     |
|-----------------------------|---------------------|
| Recreation – parks – other: |                     |
| Supplies                    | 1 354 48            |
| Utilities                   | 1 791 17            |
| Contracted services         | 1 950 00            |
| Miscellaneous               | 1 178 55            |
|                             | <u>6 274 20</u>     |
| Rail Trail:                 |                     |
| Miscellaneous               | 1 068 07            |
|                             | <u>118 006 44</u>   |
| Insurance                   |                     |
|                             | <u>162 760 40</u>   |
| Retirement benefits:        |                     |
| Hospitalization             | 57 781 30           |
|                             | <u>92 616 89</u>    |
| Capital outlay              |                     |
| Debt service                |                     |
| Total Expenditures          | <u>3 721 583 25</u> |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS  
December 31, 2005

|                                      | <u>Road</u>       | <u>Downtown<br/>Development<br/>Authority</u> | <u>Building<br/>Department</u> | <u>Total</u>        |
|--------------------------------------|-------------------|---|--------------------------------|---------------------|
| <u>Assets</u>                        |                   |   |                                |                     |
| Cash in bank                         | 92 693 84         | 584 675 12                                    | -                              | 677 368 96          |
| Investments                          | -                 | 195 007 64                                    | 211 949 52                     | 406 957 16          |
| Due from other funds                 | <u>257 719 44</u> | <u>112 381 83</u>                             | <u>-</u>                       | <u>370 101 27</u>   |
| Total Assets                         | <u>350 413 28</u> | <u>892 064 59</u>                             | <u>211 949 52</u>              | <u>1 454 427 39</u> |
| <u>Liabilities and Fund Balances</u> |                   |   |                                |                     |
| Liabilities:                         |                   |   |                                |                     |
| Accounts payable                     | -                 | 27 690 97                                     | -                              | 27 690 97           |
| Due to other funds                   | -                 | -   | 170 256 96                     | 170 256 96          |
| Deferred revenue - property<br>taxes | <u>272 238 75</u> | <u>133 224 21</u>                             | <u>-</u>                       | <u>405 462 96</u>   |
| Total liabilities                    | <u>272 238 75</u> | <u>160 915 18</u>                             | <u>170 256 96</u>              | <u>603 410 89</u>   |
| Fund balances:                       |                   |   |                                |                     |
| Unreserved:                          |                   |   |                                |                     |
| Undesignated                         | <u>78 174 53</u>  | <u>731 149 41</u>                             | <u>41 692 56</u>               | <u>851 016 50</u>   |
| Total fund balances                  | <u>78 174 53</u>  | <u>731 149 41</u>                             | <u>41 692 56</u>               | <u>851 016 50</u>   |
| Total Liabilities and Fund Balances  | <u>350 413 28</u> | <u>892 064 59</u>                             | <u>211 949 52</u>              | <u>1 454 427 39</u> |



CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS  
Year ended December 31, 2005

|  | <u>Road</u>             | <u>Downtown<br/>Development<br/>Authority</u> | <u>Building<br/>Department</u> | <u>Total</u>             |
|--|-------------------------|---|--------------------------------|--------------------------|
| Revenues:  |                         |   |                                |                          |
| Property taxes                                       | 270 896 15              | 133 221 75                                    | -                              | 404 117 90               |
| P.I.L.O.T.   | 1 426 49                | -   | -                              | 1 426 49                 |
| Licenses and permits                                 | -                       | -   | 134 395 65                     | 134 395 65               |
| Interest   | 931 88                  | 10 568 95                                     | 4 683 16                       | 16 183 99                |
| Total revenues                                       | <u>273 254 52</u>       | <u>143 790 70</u>                             | <u>139 078 81</u>              | <u>556 124 03</u>        |
| Expenditures:  |                         |   |                                |                          |
| Public safety:                                       |                         |   |                                |                          |
| Building inspection                                  | -                       | -   | 146 851 07                     | 146 851 07               |
| Public works:  |                         |   |                                |                          |
| Highways and streets                                 | 227 376 54              | -   | -                              | 227 376 54               |
| Other functions:                                     |                         |   |                                |                          |
| Downtown Development<br>Authority                    | -                       | 68 232 16                                     | -                              | 68 232 16                |
| Total expenditures                                   | <u>227 376 54</u>       | <u>68 232 16</u>                              | <u>146 851 07</u>              | <u>442 459 77</u>        |
| Excess (deficiency) of revenues<br>over expenditures | 45 877 98               | 75 558 54                                     | (7 772 26)                     | 113 664 26               |
| Fund balances, January 1                             | <u>32 296 55</u>        | <u>655 590 87</u>                             | <u>49 464 82</u>               | <u>737 352 24</u>        |
| Fund Balances, December 31                           | <u><u>78 174 53</u></u> | <u><u>731 149 41</u></u>                      | <u><u>41 692 56</u></u>        | <u><u>851 016 50</u></u> |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

BALANCE SHEET – ROSEMARY COURT DEBT SERVICE FUND  
December 31, 2005

Assets

|                                |                  |
|--------------------------------|------------------|
| Cash in bank                   | 105 61           |
| Due from other funds           | 14 674 21        |
| Special assessments receivable | <u>13 833 35</u> |
| Total Assets                   | <u>28 613 17</u> |

Liabilities and Fund Balances

|  |                  |
|--|------------------|
| Liabilities:                           |                  |
| Deferred revenue – property taxes      | 14 674 21        |
| Deferred revenue – special assessments | <u>13 833 35</u> |
| Total liabilities                      | <u>28 507 56</u> |
| Fund balances:                         |                  |
| Reserved for debt service              | 105 61           |
| Total fund balances                    | <u>105 61</u>    |
| Total Liabilities and Fund Balances    | <u>28 613 17</u> |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
ROSEMARY COURT DEBT SERVICE FUND  
Year ended December 31, 2005

|  |                      |
|--|----------------------|
| Revenues:  |                      |
| Special assessments                                  | <u>14 234 44</u>     |
| Total revenues                                       | <u>14 234 44</u>     |
| Expenditures:  |                      |
| Debt service   | <u>14 333 40</u>     |
| Total expenditures                                   | <u>14 333 40</u>     |
| Excess (deficiency) of revenues<br>over expenditures | (98 96)              |
| Fund balance, January 1                              | <u>204 57</u>        |
| Fund Balance, December 31                            | <u><u>105 61</u></u> |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

COMBINING BALANCE SHEET - ALL AGENCY FUNDS  
December 31, 2005

| <u>Assets</u>                                  | <u>Current Tax<br/>Collection<br/>Fund</u> | <u>Agency<br/>Fund</u> | <u>Total</u>        |
|--|--|------------------------|---------------------|
| Cash in bank                                   | -  | 4 000 10               | 4 000 10            |
| Investments                                    | 956 571 60                                 | -                      | 956 571 60          |
| Taxes receivable                               | <u>5 350 423 37</u>                        | <u>-</u>               | <u>5 350 423 37</u> |
| Total Assets                                   | <u>6 306 994 97</u>                        | <u>4 000 10</u>        | <u>6 310 995 07</u> |
| <u>Liabilities</u>                             |  |                        |                     |
| Liabilities:                                   |  |                        |                     |
| Due to General Fund                            | 2 065 860 58                               | 4 000 10               | 2 069 860 68        |
| Due to Downtown Development Authority Fund     | 112 381 83                                 | -                      | 112 381 83          |
| Due to Rosemary Court Debt Service Fund        | 14 674 21                                  | -                      | 14 674 21           |
| Due to Road Fund                               | 257 719 44                                 | -                      | 257 719 44          |
| Due to Bay County                              | 3 381 931 57                               | -                      | 3 381 931 57        |
| Due to Bay Metro                               | 297 370 79                                 | -                      | 297 370 79          |
| Due to Delta College                           | 23 334 67                                  | -                      | 23 334 67           |
| Due to Bay Arenac Intermediate School District | 66 269 17                                  | -                      | 66 269 17           |
| Due to Essexville-Hampton School District      | 41 397 76                                  | -                      | 41 397 76           |
| Due to Bay City School District                | 43 754 17                                  | -                      | 43 754 17           |
| Due to others                                  | <u>2 300 78</u>                            | <u>-</u>               | <u>2 300 78</u>     |
| Total Liabilities                              | <u>6 306 994 97</u>                        | <u>4 000 10</u>        | <u>6 310 995 07</u> |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - ALL AGENCY FUNDS  
Year ended December 31, 2005

|                                    | <u>Balance<br/>1/1/05</u> | <u>Additions</u>     | <u>Deductions</u>    | <u>Balance<br/>12/31/05</u> |
|------------------------------------|---------------------------|----------------------|----------------------|-----------------------------|
| <u>CURRENT TAX COLLECTION FUND</u> |                           |                      |                      |                             |
| <u>Assets</u>                      |                           |                      |                      |                             |
| Cash in bank and investments       | 1 361 429 15              | 19 306 112 77        | 19 710 970 32        | 956 571 60                  |
| Taxes receivable                   | <u>6 138 816 97</u>       | <u>18 806 138 02</u> | <u>19 594 531 62</u> | <u>5 350 423 37</u>         |
| Total Assets                       | <u>7 500 246 12</u>       | <u>38 112 250 79</u> | <u>39 305 501 94</u> | <u>6 306 994 97</u>         |
| <u>Liabilities</u>                 |                           |                      |                      |                             |
| Due to other units                 | 4 900 509 15              | 15 836 105 95        | 16 880 256 19        | 3 856 358 91                |
| Due to other funds                 | <u>2 599 736 97</u>       | <u>2 681 613 22</u>  | <u>2 830 714 13</u>  | <u>2 450 636 06</u>         |
| Total Liabilities                  | <u>7 500 246 12</u>       | <u>18 517 719 17</u> | <u>19 710 970 32</u> | <u>6 306 994 97</u>         |
| <u>AGENCY FUND</u>                 |                           |                      |                      |                             |
| <u>Assets</u>                      |                           |                      |                      |                             |
| Cash in Bank and Investments       | <u>4 022 85</u>           | <u>137 138 65</u>    | <u>137 161 40</u>    | <u>4 000 10</u>             |
| <u>Liabilities</u>                 |                           |                      |                      |                             |
| Due to other units                 | -                         | 122 208 41           | 122 208 41           | -                           |
| Due to other funds                 | <u>4 022 85</u>           | <u>14 930 24</u>     | <u>14 952 99</u>     | <u>4 000 10</u>             |
| Total Liabilities                  | <u>4 022 85</u>           | <u>137 138 65</u>    | <u>137 161 40</u>    | <u>4 000 10</u>             |
| <u>TOTAL - ALL AGENCY FUNDS</u>    |                           |                      |                      |                             |
| <u>Assets</u>                      |                           |                      |                      |                             |
| Cash in bank and investments       | 1 365 452 00              | 19 443 251 42        | 19 848 131 72        | 960 571 70                  |
| Taxes receivable                   | <u>6 138 816 97</u>       | <u>18 806 138 02</u> | <u>19 594 531 62</u> | <u>5 350 423 37</u>         |
| Total Assets                       | <u>7 504 268 97</u>       | <u>38 249 389 44</u> | <u>39 442 663 34</u> | <u>6 310 995 07</u>         |
| <u>Liabilities</u>                 |                           |                      |                      |                             |
| Due to other units                 | 4 900 509 15              | 15 958 314 36        | 17 002 464 60        | 3 856 358 91                |
| Due to other funds                 | <u>2 603 759 82</u>       | <u>2 696 543 46</u>  | <u>2 845 667 12</u>  | <u>2 454 636 16</u>         |
| Total Liabilities                  | <u>7 504 268 97</u>       | <u>18 654 857 82</u> | <u>19 848 131 72</u> | <u>6 310 995 07</u>         |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

CURRENT TAX COLLECTION FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended December 31, 2005

|  |                      |
|--|----------------------|
| Cash in bank and investments – beginning of year | <u>1 361 429 15</u>  |
| Cash receipts:                                   |                      |
| Tax collections:                                 |                      |
| 2004 tax roll                                    | 5 826 138 59         |
| 2005 tax roll                                    | 13 455 714 65        |
| Interest income                                  |                      |
| Total cash receipts                              | <u>24 259 53</u>     |
| Total beginning balance and cash receipts        | <u>19 306 112 77</u> |
|  | <u>20 667 541 92</u> |
| Cash disbursements:                              |                      |
| Township General Fund                            |                      |
| Township Downtown Development Authority Fund     | 2 373 085 04         |
| Township Road Fund                               | 164 642 00           |
| Township Rosemary Court Debt Service Fund        | 278 752 65           |
| Bay County                                       | 14 234 44            |
| Bay Metro  | 7 675 783 24         |
| Delta College                                    | 321 118 77           |
| Bay Arenac Intermediate School District          | 846 597 44           |
| Bay City School District                         | 2 078 305 63         |
| Essexville-Hampton School District               | 788 133 54           |
| Refunds of overpayments                          | 5 149 067 35         |
| Total cash disbursements                         | <u>21 250 22</u>     |
|  | <u>19 710 970 32</u> |
| Cash in Bank and Investments – End of Year       | <u>956 571 60</u>    |

CHARTER TOWNSHIP OF HAMPTON  
Bay County, Michigan

AGENCY FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended December 31, 2005

|  |                   |
|--|-------------------|
| Cash in bank – beginning of year             | <u>4 022 85</u>   |
| Cash receipts:                               |                   |
| Delinquent property taxes                    | 759 10            |
| Mobile home court fees                       | 13 347 00         |
| P.I.L.O.T.                                   |                   |
| Total cash receipts                          | <u>123 032 55</u> |
|  | <u>137 138 65</u> |
| Total beginning balance and cash receipts    | <u>141 161 50</u> |
| Cash disbursements:                          |                   |
| Township General Fund                        | 13 275 51         |
| Township Road Fund                           | 1 432 08          |
| Township Downtown Development Authority Fund | 245 40            |
| Bay County                                   | 33 835 16         |
| Essexville-Hampton School District           | 23 05             |
| Bay City School District                     | 2 595 45          |
| Bay Metro                                    | 1 649 75          |
| Bay Arenac Intermediate School District      | 10 906 52         |
| Delta College                                | 4 506 09          |
| State of Michigan                            |                   |
| Total cash disbursements                     | <u>68 692 39</u>  |
|  | <u>137 161 40</u> |
| Cash in Bank – End of Year                   | <u>4 000 10</u>   |

# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

February 10, 2006

To the Township Board  
Charter Township of Hampton  
Bay County, Michigan

We have audited the financial statements of the Charter Township of Hampton for the year ended December 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Charter Township of Hampton in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."



To the Township Board  
Charter Township of Hampton  
Bay County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

#### OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

#### COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

##### SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated December 31, 2005.

#### SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*

CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants